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SHALL WE HAVE FREE SHIPS ?

BY EDWARD KEMBLE, PRESIDENT OF THE BOSTON CHAMBER OF
COMMERCE.

THE paper which appeared in the REVIEW for April last, under the title of "Our Navigation Laws," was remarkable for what it said and for what it left unsaid. The author is well known, and his words are entitled to consideration because he is well qualified to discuss the subject; but this should be done without prejudice, for it is a national subject.

The question is, Are the laws referred to, on the whole, advantageous to this country and conducive to its commercial growth at the present time? It can be considered properly, only in the light of experience, and particularly in connection with the present stage of the world's progress in commercial affairs.

The Act of December 31, 1792, forbids American registry to foreign-built ships. The object was undoubtedly to promote shipbuilding and its development in this country. There could have been no other object. This contributor says there was no need of such a law then, and quotes from a paper published in May, 1790, more than two and one-half years before the law was enacted, to sustain his statement. His view, apparently, is that it was enacted, with prophetic vision, for use sixty years later, when it would prevent the English builder from selling the modern steamship to an American buyer.

The art of shipbuilding, so far as can be ascertained, was not firmly established in this country in 1792, and what may be called its development had not yet begun. This law had a purpose then, and it was accomplished and justified by the impetus which the law gave to shipbuilding here, and the great development which followed later. It was soon found that such ships as

the world wanted could be produced here cheaper and better than in any other country. Nothing like the American packet or the American clipper ship could be produced for the same money anywhere else. So this country took a place in the carrying trade of the world. Her ships were able to compete successfully with the ships of other nations, and gained the supremacy and maintained it until about 1850, when, very shortly, there appeared a new competitor—the iron ship of England. We could not compete with that country in this form of building, and have not been able to do it to this day. The iron ship could be produced for less money in England than in the United States or anywhere else, and it was this ship the world wanted. How, then, could we maintain our position, or preserve to ourselves any portion of the carrying trade of the world? Only by doing what other peoples were allowed to do, and did do—by buying the modern ship of England. This the old law of 1792 forbade. The Frenchman could do it, the German could do it, and people of other countries could do it, and they did it; and these countries have now a share of the carrying trade of the world. The American alone was forbidden to do it, and America has to-day no share of that trade.

When it became evident the ships needed could not be built here, it became evident, also, that our builders could not be injured by the buying of them abroad; and agitation began for the amendment of this old law, but to such an extent only as to admit ships *to be used in foreign trade*. This proposed modification of that law American builders have successfully opposed for thirty years! During all this period they have not only been unable to build these ships themselves, but they have refused to allow them to be built for their countrymen anywhere else. During this period, consequently, we have not only lost the foreign carrying trade we had previously gained by our superior wooden ships, but the opportunity also to secure for ourselves a share of the vast increase in that trade which has occurred during this time. For all these years their policy has been, by continuous appeals to national pride, and the national sentiment for the flag, to force government into the payment of subsidies in order to offset this obstacle of greater cost. So this law, while it secured to us protection and supremacy in the days of wooden ships, and has protected us advantageously in our coastwise trade, has cut

us off from any share in the foreign carrying trade in this day of iron ships.

This contributor says this law has no connection with "the doctrine of protection"; that it was not intended as a protective measure, and that "only superficial students and shallow reasoners" associate it with that system. It has been protection pure and simple—too solid protection in fact—whatever it was intended to be. It is an important protection to-day to our coastwise trade, and should not be changed, so far as this trade is concerned, because we can, of course, control our own ports; and by means of another act, which forbids foreign ships to trade between our ports, we control the traffic between them. Thus is "provided for the development and perpetuity of shipbuilding in the United States," a matter concerning which this contributor is, of course, much interested. Some of the ships in our coastwise trade are fine specimens of naval architecture, and we have some eight thousand miles of coast to supply. It matters very little whether the cost of a ship intended for that trade is greater in this country than in any other or not. She is free from the competition of a foreign-built ship, whatever her cost. So with our naval vessels. * It matters little if they cost more when built here than they would if built in some other country. They are not going into business competition with any vessels, and we ought to build them in our own country, as we do. But we cannot control foreign ports, nor preserve the traffic between them, or between them and our own, or any portion of it, to ourselves by law. When we go into the foreign carrying trade we go into competition with the ships of all nations, and we can secure a portion of it only by offering the same terms and facilities others offer. In order to do this our ships must not cost more than the ships of other nations cost, nor be inferior to them. If we cannot buy them in this country, we must buy them in some other country, or give up that business.

The facts are that under this law our merchant marine grew and prospered for fifty or sixty years; while under the same law, that portion of it engaged in the foreign carrying trade has, during the past thirty years, disappeared. This contributor says:

"It would require a new school of logic to prove that it has worked both ways."

There is no logic so strong and so conclusive as the logic of

fact. Are there no instances of laws, once beneficial, which have become, in the course of time, obstructive or injurious? We might prosper to-day under a law prohibiting the importation of corn; and starve under it to-morrow. Besides, it is pertinent to inquire not so much whether this law caused the prosperity of former years, as whether it has caused the ruin of late years.

We are informed that "as soon as the English found that they could build iron ships cheaper than we could, . . . they at once began to clamor for the repeal of our navigation laws"; . . . and that "then began a series of assaults on our navigation laws, always prompted from English sources."

General Grant, while President, in a special message to Congress, advocated a change in these laws and the admission of foreign built ships to American registry. Is it to be understood that this act of General Grant was one of the "assaults" referred to, and that it was prompted from "English sources"? The truth is, this talk of "English assaults" upon our navigation laws is not worthy of much consideration. The English had all the markets of the world open to them, save one. The carrying trade of the world demanded iron ships, and only English builders could furnish them. Pray what mattered it to them whether Americans could buy their ships or not? That was our lookout. The world's carrying trade was to be done by iron ships, and these ships would be bought to do it; if not by Americans, then by their own or other people. The English builders were sure to sell their ships; indeed they sold them faster than they could build them; and those who bought them were sure to get the carrying business; while those who did not buy them would have no share in it, as has been the case with Americans for thirty years. Furthermore, why should England desire to give the world's carrying trade into the hands of Americans, or any other people, merely for the sake of selling ships? Was it not for her interest to keep it in her own hands as much as possible? The carrying trade of the Atlantic Ocean alone amounts to one hundred and fifty millions of dollars, and more, per annum. Was it not for her good to own the ships which her builders alone could produce, and do this business? Certainly, and she owns most of the ships and does most of the business to-day.

The proposed modification of our navigation laws would be an injury to England, commercially. The special legislation in

this direction by which the "Paris" and the "New York" have been lately admitted to American registry, was an injury to England's interests, and was so considered abroad. Indeed, when this project was first mooted, discussion arose as to whether England would permit the transfer without objection.

Another curious statement is this: That this "repeal," as it is called, would be a great boon to England, because "in time of war . . . her ocean greyhounds . . . might remain under her flag, while all her slow freighters, tramps and obsolete passenger boats *would be transferred to our flag.*" Why would not the "ocean greyhounds"—if the Government did not take possession of them—be transferred also to our flag? Notwithstanding their speed, would they not be more secure under a neutral flag. Because of their speed would there be no war insurance rate to avoid? And why, pray, would the old tubs be transferred to the American flag only? Why not to other flags?

This contributor further says:

"It is observed that the present English raid on the navigation laws is the most determined yet made. This is because the development of ship-building capacity in Great Britain during the last decade has outstripped the demand for ships, and there is desperate need of a new market. France, Germany, Holland, Spain, Russia, and Italy, formerly large customers, : . . have almost entirely withdrawn their patronage from British yards."

These are all "free-ship" countries, and are now building many of their own ships—a happy result of the free-ship principle!

If there is no demand for ships, how will the "repeal" of these laws make a "new market"? Our coastwise trade (which it is not proposed to open to foreign-built ships) "is supplied for the rest of this century at least"—so this writer asserts; and if the foreign carrying trade is also supplied, how can a "new market" be found here? Americans certainly will not buy ships for which there is no use. The truth is, the greatest "raid" upon our navigation laws, and the most successful, up to this time, was the recent special legislation which admitted the ships "Paris" and "New York" to American registry. This writer not only did not object to that, but approved it, as most people did. The wedge has entered! Now let more be admitted, for the purposes of foreign trade; but without any other condition.

Furthermore, this contributor declares:

"I have brought these facts forward for the purpose of emphasizing

my declaration, that the promotive influence behind every movement against our navigation laws is of British origin, and that whenever you put a pin through a free-ship bill you prick an 'Englishman.'"

Pray, who would have been pricked by a pin put through the free-ship bill which admitted the "Paris" and the "New York"? Certainly not an Englishman. There was no Englishman behind that bill; but who was behind it? Then he goes on further to say: "A vote for English free ships means a vote to reduce American wages;" and he declares:

"There is no alternative to reductions of wages except the total closing of American shipyards. This is what men mean when they talk of buying ships where they can buy them cheapest."

He has a great fear of the English ships, while he appreciates, and, according to his own declaration elsewhere, does not hesitate to use, English plans and patterns.

With this cry of "reduced wages" we are somewhat familiar. If we cannot build the ships here, how will the buying them abroad reduce our wages? The truth is, American shipyards, speaking generally, have not built ships for foreign trade for thirty years. These yards have been developed by building ships for our coastwise trade, which is very large, and by building government vessels. From the foreign carrying trade we are completely shut out, as this contributor himself declares. We can participate in it only by buying ships abroad, or by inducing government to pay, in one way or another, the extra cost of building them here; the latter is really what he advocates.

This is the gist of his argument. Although he scarcely mentions the word, it is a strong plea for subsidies. His argument summarized, means this:

1st. The law of 1792 never should be modified.

2d. We cannot build ships in competition with Great Britain.

3d. Therefore our Government should pay subsidies.

There is a serious question as to the wisdom, as well as to the propriety and justice, of attempting to establish a merchant marine, or anything else, by government aid. In this connection the term "postal subsidies," sometimes used, is misleading. It is really a misnomer. Its use came about from the fact that in the few cases where subsidies have been paid it has been usually stipulated that the mails should be carried without additional compensation. But compensation for postal service is really a

matter distinct and different from a subsidy. It is payment for a service rendered. It is payment for value received. This contributor says: "It would appear that compensation for service becomes 'subsidy' only when paid to an American shipowner." "Compensation" becomes subsidy only when it is paid for no return, or no value received, or when it exceeds in amount the market or proper value of the service rendered; whether it is paid for carrying the mails or anything else; or to shipowners or shipbuilders, or to railroads or to any one else.

The word "subsidy" means "aid in money;" "to hold up by means of money," and has very much the same signification as the word "bounty," which means "a premium;" "money given to promote any object." It was used in this sense in Great Britain in connection with government aid to two or three steamship lines many years ago. Of course postal service should be paid for like any other service, and there is no reason why money so paid should be called a "subsidy"; and it is not so called. There is no difference of opinion as to the propriety of paying a proper compensation for postal service, or for the right to take ships in time of war, or for any other service or privilege. A difference of opinion exists as to the payment of money in aid of shipping; the payment of a gratuity—a benefaction. Such a thing can be justified only by the gravest reasons, and when it is clearly for the benefit of the whole people. When the British Government found it necessary to do this years ago, it was to establish and maintain regular communication with its outlying provinces. This could then be secured in no other way. Does any one really suppose England would pay a subsidy for sentiment,—in order to see her flag waving in foreign seas,—or even to establish commercial business,—or for the encouragement of navigation? Not at all! Her provinces had an undoubted right to demand reliable communication with the home-country. Commercial business was not then sufficient to sustain it, and it could be furnished only by the aid of government. This aid was called a subsidy. It had nothing whatever to do with the cost of ships, or the expense of sailing them. It was paid only in rare cases, and always withdrawn as soon as the necessary communication could be maintained without it. The truth is that only in exceptional cases have subsidies ever been paid. Some of the best lines of ships never received a dollar of subsidy. The finest

lines of steamships, and probably the most prosperous, ply between the United States and Europe. There are some twenty-five or thirty of these lines, most of them under the English flag, and, with one exception, they receive no subsidy from any government, and only two of them ever did receive such aid.

Who has heard in years of the British Government subsidizing a line of ships? It is not only a grossly unjust, but whenever resorted to it has been found an unsatisfactory, system. This country has tried it, years ago, and notwithstanding the unpleasant experience then acquired it has recently embarked again in the experiment. The scandal attending the subsidy paid to the Collins line of American steamships is a matter of history; and that caused by the subsidy which was paid to the Pacific Mail Company cannot have passed entirely from memory. The amount paid the latter company was found upon investigation by Congress to have been nearly all expended in efforts to secure a greater one, and the government rightly withdrew the benefaction. The payment of subsidies will not accomplish what all desire so much to see, simply because such a system is artificial; and nothing artificial can contend with the real and succeed. It is quite apparent that the commercial conditions and requirements which surround the United States, in connection with this question, are very different from those of Great Britain; so utterly dissimilar that even if that country paid subsidies, it could not be argued with any force that the United States should pay them for the same reasons. But notwithstanding statements to the contrary—and gross misstatements have been made—Great Britain has never paid subsidies in any general way. She owns to-day $1\frac{1}{2}$ ths of the world's shipping, and more than 70 per cent. of the steam tonnage; and only about $2\frac{1}{2}$ per cent. of it receives anything from the government, or ever did receive anything, either for carrying the mails or in any other way!

In this connection there is to be found an important item of evidence that the payment of subsidies will not necessarily establish foreign trade. The English government once paid the Cunard Company a subsidy of £180,000 per annum. This was done to secure regular sailings between Liverpool and Halifax, which were maintained for some years. If trade can be built up in this way why are not Cunard steamers running between these two ports to-day? As soon as the Cunard Company was released

from its obligation to sail to Halifax, and was free, it began to make its sailings to Boston and to New York. This line has received no subsidy for many years. It makes bids in competition with other lines for carrying the mails, and secures its mail contracts with the home government in this way.

Neither will the payment of subsidies necessarily increase or establish a merchant marine ; indeed such payments are likely to operate adversely. Certainly this will be so unless every ship and every line is subsidized, for an unsubsidized line cannot, it is manifest, compete with a subsidized line; and if every line which may be formed is alike subsidized, and all are running at government expense, where is the incentive to establish a self-sustaining business ? History shows the subsidy system to have been a failure. The French Government continued it for a long period, and it was found that, instead of building up a self-sustaining carrying trade in French vessels, the French tonnage actually decreased, and a demand was made for the adoption of the German policy of free ships and free materials. Italy, it is said, under the subsidy system lost much of her shipping. It is a notable fact that the merchant marine of commercial countries whose citizens are permitted to buy ships where they may choose to do so has generally increased rapidly without any subsidy system.

The argument in favor of subsidies in this country is full of misrepresentation. It has been put before the country in a very misleading way, to say the least. A United States Senator, not so very long ago, when a bill was before Congress providing for the payment, not only of subsidies to steam vessels but for bounties to sailing vessels, said, in a speech :

“ One branch of commerce, indeed, the foreign carrying trade, languishes for want of the encouragement to our shipping which every other commercial nation gives to its own.”

If by “encouragement” were meant a complete change in our navigation laws, the statement might have been true. But he was arguing in favor of the bill above referred to,—not for free ships,—and afterwards voted for it. He conveyed by this language the idea that subsidies and bounties were the “encouragement which every other commercial nation” gave to its foreign carrying trade—an erroneous idea, and many, no doubt, have been misled by the statement.

The truth is that of some twenty or twenty-five successful steam lines now plying between the United States and Europe, and some twenty-five more plying between the United States and foreign ports outside of Europe, only one receives a subsidy, and only two, or at most three, of them ever did receive such aid !

It appears, therefore, that the carrying trade of the world has not been built up by subsidies. Least of all has the carrying trade of England been established in that way. England abolished her navigation laws in 1840, when it was cheaper for her to buy than to build ships, and prosperity upon the sea has attended her ever since that day. So with other nations. Free ships, and free materials for ships, have brought to them a share of the world's carrying trade. If the United States is to secure a share, it would seem to be necessary to place her merchants on an equality with foreign merchants, and American enterprise will do the rest. Make our navigation laws—so far as they relate to foreign trade only—like the navigation laws of other nations. Give the American the same opportunity the foreigner has. Let him buy his ships wherever he may choose to buy them. This is the key to the whole matter. This Government has acknowledged it by admitting the “Paris” and the “New York” to registry.

We hear a good deal about the ardent desire some men have to see the American flag waving over foreign seas. If these men are honest, why do they oppose that change in our laws which will permit it? American capital already owns some foreign built ships ; but even though they be sailing out of our own ports they may not carry the flag—the “Paris” and the “New York” alone excepted.

The reasons for the proposed modification in our navigation laws may be summed up as follows : 1st. It would permit the American flag to secure a portion of the carrying trade of the world. 2d. It would afford the opportunity, long looked for, to re-establish the American merchant marine. 3d. It would contribute to the commercial prosperity and power of the United States, and afford increased employment for her people.

These are all American reasons. There are no English reasons.

EDWARD KEMBLE.